

Message Text

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11

ACTION EA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 FEA-01

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TO SECSTATE WASHDC 4316

INFO AMCONSUL HONG KONG

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E.O.11652: GDS

TAGS: ETRD, US, CH

SUBJECT: STEWARD AND STEVENSON CONCLUDE OIL
EQUIPMENT SALE TO PRC

REF: PEKING 1577

1. STEWART AND STEVENSON SUCCESSFULLY CONCLUDED ITS
NEGOTIATIONS WITH CHINA NATIONAL TECHNICAL IMPORT
CORPORATION (TECHIMPORT) FOR THE SALE OF OIL FRACTURING
EQUIPMENT (REFTEL) ON AUGUST 21. THE SALE, WHICH WILL
BE WORTH ABOUT \$6 MILLION, WAS CONCLUDED DESPITE A
SUDDEN, LAST-MINUTE TECHIMPORT ATTEMPT TO DRIVE DOWN
THE AMERICAN FIRM'S PRICE.

2. UNDER CONSIDERABLE PRESSURE FROM STEWARD AND STEVEN-
SON'S CARSEY MANNING, THE LAST PHASE OF THE NEGOTIATIONS
DREW TO A CLOSE ON AUGUST 20 WITH AGREEMENT REACHED ON
ALL DETAILS OF A COMPLETED CONTRACT. AT THAT POINT,
TECHIMPORT NEGOTIATORS DEMANDED TWO PERCENT REDUCTION
IN PRICE. ALTHOUGH MANNING PROTESTED THAT THE ENTIRE
FINAL PHASE OF THE NEGOTIATIONS HAD BEEN CONDUCTED ON
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THE BASES OF AN AGREED PRICE, THE CHINESE REFUSED TO

ALTER THEIR POSITION. MANNING THEN SAID THAT HE COULD NOT SIGN A CONTRACT AT OTHER THAN THE PREVIOUSLY AGREED PRICE AND THAT HE WOULD BE RETURNING TO THE U.S. THE NEXT DAY.

3. TECHIMPORT WAITED UNTIL NOON ON AUGUST 21, 15 MINUTES BEFORE MANNING WAS TO LEAVE FOR THE PEKING AIRPORT AND AFTER HE HAD CHECKED OUT OF HIS HOTEL, BEFORE NOTIFYING HIM THAT THEY WOULD SIGN A CONTRACT AT THE PRICE ORIGINALLY AGREED.

4. COMMENT: THESE TOUGH, LAST-MINUTE BARGAINING TACTICS HAVE BEEN USED BY PRC CORPORATIONS IN THE PAST. IN ONE INSTANCE, A BOEING TEAM ACTUALLY SIGNED CONTRACTS AT THE AIRPORT AFTER REFUSING TO GIVE IN TO LAST-MINUTE CHINESE DEMANDS FOR PRICE REDUCTIONS. THE STEWARD AND STEVENSON CASE IS THE FIRST TO COME TO OUR ATTENTION IN THE LAST TWO YEARS, HOWEVER.
BUSH

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